



# **CLSA Australia Pty Ltd**

## **Best Execution Policy**



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### 1. Purpose

#### 1.1. Background

This Policy sets out the relevant information pertaining to how CLSA Australia Pty Ltd (“CAPL”) provides its clients with ‘Best Execution’ as required by Part 3.8 of the ASIC Market Integrity Rules (Securities Markets) 2017 (the “Rules”)

The Rules require CAPL to take all reasonable steps to obtain the best possible execution outcome for its clients.

This Policy is drafted pursuant to the requirements of Part 3.8 of the Rules and associated guidance set out in ASIC regulatory Guide 265.

#### 1.2. Scope

The scope of this policy governs all CAPL employees, which enter into equity market product transactions on behalf of CAPL’s Wholesale clients.

### 2. Achieving Best Execution

CAPL’s policies and processes are designed to obtain the best possible execution outcomes on a consistent basis, taking into account the relevant equity market product subject to the order, the nature of clients order instructions, the execution venues available for equity market products and the priorities clients place on CAPL to execute those orders.

#### 2.1. Execution methods

CAPL will take all reasonable steps to achieve the best execution outcome for its client orders. Orders may be routed to various execution venues as follows:

- **High Touch** – traditional Limit or Market Orders being managed by a CAPL Designated Trading Representative (“DTR”) who will use expertise and discretion in achieving the best possible execution outcome taking into account one or a combination of factors set out in Part 2.3 of this Policy.
- **Low Touch or Direct Market Access (“DMA”)** – as part of the DMA suite offered by CAPL, clients are given optionality to execute via selected trading strategies on a number of trading venues, which are set out in Part 2 of this Policy.
- **Smart Order Router (“SOR”)** CAPL’s SOR forms a key part of its algorithmic suite. The purpose of the SOR (in both high touch and low touch scenarios) is to scan all available sources of liquidity with the objective of achieving the best possible execution outcomes for CAPL’s clients across a variety of execution venues.

### 2.2. Clients specific instructions

When a client provides CAPL with instructions that are inconsistent with CAPL obtaining the best outcome for the client, CAPL will take reasonable steps to handle and execute the Order or Orders in a way, which satisfies those instructions and, as a result, may not achieve the best outcome for the client.

### 2.3 Factors to be considered in delivering best execution

Generally, CAPL considers that the most important execution factor for its clients is the price at which the transaction in the relevant financial instrument is executed. However, there may be circumstances where the primary execution factors may vary and price is no longer the dominant execution factor (for example, for transactions in illiquid securities, the likelihood of execution and settlement becomes more important).

When considering the execution factors, CAPL will use its experience and expertise to achieve the best balance across the full range of factors. This may mean that CAPL does not always achieve the best price for every client transaction, but the best result that can be reasonably expected given the information available during the execution process. It should, however, be noted that when undertaking a transaction, any specific execution factors specified by clients will always be paramount in ensuring best execution is provided.

CAPL will take into account the following factors in determining what will provide the best possible outcome for its clients.

**Price** – Price is an important factor in achieving best execution. However, price may not represent the best outcome at a given point in time. For example, the order book of the exchange that is displaying the best price may not have adequate volume.

**Price Improvement** - the availability of price improvement on CLSA Match, which provides the opportunity for an order to execute at a better price than displayed on 'pre- trade transparent' order books. Please refer to part 3.2.

**Costs** – this includes implicit costs such as the possible market impact; explicit external costs e.g. exchange or clearing fees; and explicit internal costs to CAPL

**Speed** – speed of execution is increasingly becoming an important execution factor for clients. In circumstances where a client instructs CAPL where it needs to complete an order quickly or concerned that price may move adversely, it will factor speed into the execution outcome equation.

**Execution certainty** – the likelihood that CAPL will be able to complete a client transaction. CAPL will take into consideration the volumes available at each price point on each available trading venue.

**Other factors** – In addition to the above, CAPL will also consider, among other things, the following:

- Nature of the clients orders;
- The clients specific instructions;
- Time of receipt of order compared to other orders;
- Size of the order;
- Market Liquidity, volatility and the impact the order might have in the market
- Any other relevant factors.

### 3. Execution venues

#### 3.1. Pre-transparent Order Books

The trading venues CAPL accesses to achieve the best execution outcomes for its clients are:

- ASX Trade Match
- ASX Centre Point
- Chi-X

#### 3.2. Alternative execution venue – Crossing systems

- CLSA Match - CAPL's ASIC registered crossing system offers an additional source of liquidity for its clients. Orders executed on this venue will be provided with price improvement when compared against the consolidated best bid and offer prices displayed on ASX and Chi-X at the time of execution.

### 4. Responsibilities of execution staff

Sales and Trading Representatives form an important first line of defence in the trade execution process. Reasonable diligence should be demonstrated in handling client instructions, monitoring execution outcomes and, where applicable, taking steps to obtain multiple quotes. In the absence of multiple quotes, execution staff should obtain sufficient pricing information on a best-effort basis to validate quotes provided to clients.

### 5. Controls and monitoring

CAPL monitors the effectiveness of its best execution arrangements on a regular ongoing basis; this includes assessment of whether the execution venues CAPL has selected continue to provide the best possible results for orders executed on behalf of its clients.

CAPL continuously monitors its best execution arrangements utilising various analytical tools and reports to ensure it can continually assess and achieve the best execution quality and performance for its clients.

